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OUR FUTURE FISCAL POLICY.

IN December, 1860, when the National Debt was less than \$65,000,000, proposals were invited, by the Secretary of the Treasury, for \$5,000,000 of Treasury notes (the amount required to meet debts falling due and payable on the 1st of January following), to bear such rates of interest as might be proposed by bidders and agreed to by the Secretary. For these notes, bids to the amount of \$1,831,000, at twelve per cent. interest, were accepted, and bids for \$465,000, at from fifteen to thirty-six per cent. interest, were rejected. Soon after, the balance of this loan (\$3,169,000) was taken by the Bank of Commerce, New York, and its associates, at twelve per cent. interest. Such was the credit of the Government when the country, although disturbed by the threatened secession of some of the Southern States, was in an unusually prosperous condition.

In February, 1861, proposals were invited for \$8,000,000 of six-per-cent. twenty-year bonds. Offers for these to the amount of \$8,006,000, at ninety per cent., were accepted, and offers for \$6,454,250, at a lower rate than ninety, were rejected.

In March following, proposals were invited for \$8,000,000 more of the same kind of bonds, for which offers to the amount of \$3,099,000, at ninety-four per cent. and upward, were accepted (there were but three bids amounting to \$21,000 above ninety-four), and offers for \$23,983,000, at less than ninety-four, were rejected.

On the 12th of April, 1861, the bombardment of Fort Sumter was commenced, and the Government became involved in a civil war which proved to be of gigantic proportions and unexampled severity and expensiveness, for which it was utterly unprepared, the public revenues being insufficient to cover current expenses in a time of peace. At the extra session of Congress, in the summer of 1861, the tariff was somewhat modified, for the purpose of increasing the revenue; but in his report of December 9th, the Secretary of the Treasury estimated the amount from all sources, for the year ending on the 30th of June, 1862, at \$54,552,665, so that, to meet the great and rapidly increasing expenses of the war, borrowing was the only resource, in which direction, as we have seen, the prospect was the reverse of encouraging. It was at this, the most trying crisis of our finances, that the banks of Boston, New York, and Philadelphia came to the rescue of the Government in a manner that entitles them to the lasting gratitude of the people, by not only supplying the Treasury with a large amount of money, but in giving—by the confidence which their action expressed that the Union would be maintained—a lift to the national credit which was felt throughout the war. In August, 1861, the Secretary of the Treasury (Mr. Chase) invited representatives of these banks to meet him in New York for consultation in regard to the measures which should be adopted for the relief of the Treasury. The invitation was promptly accepted, and, as the result of the conference, the banks agreed to lend to the Government \$50,000,000; the Secretary, on his part, agreeing that books should be opened for public subscriptions to a national loan, to reimburse the banks for their advances, and to deliver to them notes bearing seven and three-tenths per cent. interest for the amount not thus reimbursed. The banks further agreed that when the \$50,000,000 had been expended they would lend to the Government \$50,000,000 more, on the same terms.

This second loan was made in October, when the first had been but partially reimbursed. In November, they made a third loan to the Government of an equal amount at seven per cent. interest, upon twenty-year six-per-cent. bonds, which, reduced to the equivalent of seven per cent., netted to the Treasury \$45,795,478. The banks of these three cities thus became lenders to the Government, at a time when the Union forces were meeting with severe reverses, of an amount far exceeding their aggregate capital, and committed themselves, and, to a large extent,

their correspondent banks throughout the loyal States, to the cause of the Government in the mighty war in which it was engaged. The value of the aid thus rendered to it can hardly be overestimated. It strengthened the hands of the Secretary and the faith of the loyal people. As the banks of these cities had been distinguished for their conservatism, the fact that they were willing thus to dedicate themselves to their country gave to the national credit the vitality which was required to prepare the way for the enormous loans which followed and were successfully placed. Few records are more interesting than would be that of this conference between the Secretary and the banks in this great financial crisis. If such a record exists, it ought to be made public. There must have been earnest debates before the stand was taken by the banks which relieved the pressing wants of the Treasury, and did much to place the national credit upon the firm basis upon which it has since rested—popular confidence in the national integrity and the national honor, with unyielding determination on the part of the people that both shall be maintained forever.

It does not detract from the merit of the banks that their action resulted in profit. It was unquestionably hazardous and patriotic. It was one of the numerous instances, and the most prominent of all, in our financial history, in which fidelity to the Government and pecuniary gain went hand in hand. I allude to it because it was a turning-point in the national credit, and because I have seen no reference to it except in the newspapers at the time, and in Mr. Chase's report.

It is not probable that the banks could have maintained specie payments throughout the war, or for any considerable period after its commencement, if these loans had not been made, but the suspension was precipitated by them. If the Sub-Treasury Act had not required that all Treasury drafts should be paid in coin, and that the Treasurer and Assistant Treasurer should be the sole custodians of the public moneys; or, if demand notes had not been issued, the banks (as gold, by reason of large importations of it from Europe at the commencement of the war, was unusually plentiful) might have continued to pay coin until, at least, the legal-tender notes were issued. If my memory is not at fault, the drafts drawn upon the two first loans were paid in coin, but a large part of the coin paid out on these drafts went speedily back to the banks in their current business. In the

meantime, however, large amounts of Government demand notes, receivable for all public dues, were issued, which took the place of gold, caused it to advance to a premium, and prevented its inflow to the banks. These notes were used by the Government in its various disbursements throughout the North, and the receipts of the banks which had made the loans, in deposits and payments, being chiefly in bank-notes, they were unable to continue to pay, either in coin or demand notes, the large Treasury drafts which were made upon them, and were forced to suspend specie payments. Of the \$50,000,000 of these notes authorized to be issued, upward of \$33,000,000 were in circulation at the time these banks suspended.

The suspension of these banks was speedily followed by an almost universal bank-suspension throughout the country. Usually bank-suspensions are calamitous. In this instance they were not, as they necessitated the creation of the national banking system—the most perfect and beneficial system which has been devised. It was obvious to the Secretary, as it must have been to all intelligent persons, that it would be quite impossible for the Treasury to meet the excessive demands of the War and Navy departments without the use of a paper currency. To the use of the notes of the suspended banks there were insuperable objections. As the banks were not redeeming their notes, there were not likely to be safe restrictions upon their issues. In some of the States, banks were prohibited from increasing their circulation when they were not redeeming it; but in a large majority of the States no such prohibition existed, and there was nothing to prevent the country from being flooded with bank-notes, which the Government could not safely receive in the collection of its revenues, even if the Sub-Treasury Act were repealed, nor honestly pay to its creditors. Under the State-bank system, as Mr. Chase tersely and correctly remarked: “Circulation was usually furnished by institutions of least actual capital, and was commonly in the reverse ratio of solvency.” In these circumstances it became necessary that the Government should either rely entirely upon its own direct issues, or compel the banks to retire their unsecured or but partially secured notes, and to replace them with notes secured by Government bonds. The Secretary was too wise, and too well informed in regard to the results of large issues of notes by other nations and the American colonies, to recommend exclu-

sively the former. He considered in the existing emergency a limited issue of Government notes to be a necessity, but he was an earnest advocate of a national banking system, and so it happened that both measures were resorted to. Acting according to his advice, Congress authorized an issue of four hundred millions of legal-tender notes for temporary purposes, and required all banks of issue (this is the essence of the national banking system) to secure their notes by deposits of Government bonds in the Treasury, so that there might be a permanent bank-note circulation, which it would be safe for the Government to receive, and of uniform value throughout the Union. It is not my purpose to say anything about the constitutionality of the legal-tender acts. I have merely to remark that they would have been comparatively harmless, although they created a forced loan, if the provision which they contained that the holders might at their pleasure convert the notes issued under them into the five-twenty bonds had not been, as I think most unfortunately, repealed. It was the repeal of this provision which prevented the legal-tender notes from being absorbed at the close of the war, and so they continue to be a part, and a large part, of our circulating medium, and the larger part of our lawful money.

I have thus referred to the financial embarrassments of the Government immediately before the war, and in the early part of its existence, because it shows, by contrast, how wonderful has been the advancement of the public credit, and the circumstances under which our national banking system was brought into existence.

On the first day of September, 1865, the public debt reached its highest point, being, less cash in the Treasury, \$2,757,689,571, of which only \$1,109,568,191 was in bonds, the rest, \$1,648,121,380, being in the form of interest-bearing temporary obligations and legal-tender and fractional notes. On the first of November, 1868, not only had the temporary obligations, amounting to over \$1,200,000,000, been funded in bonds, without the slightest disturbance to business, but the public debt had been reduced, less cash in the Treasury, to \$2,527,129,552, a reduction of \$230,560,019—although during that period \$42,194,000 had been advanced in bonds to the Pacific roads, and \$7,200,000 had been paid for Alaska, to say nothing of the many millions paid by the War and Navy departments, on claims which had from time

to time been adjusted, and had never appeared in the published statements of the public debt. This reference is made to the early reduction of the debt because no allusion has been made to it in the Treasury reports since 1868, and because it presents a fact never presented by any other nation and which is most creditable to the United States, that the reduction of an immense debt was commenced, on a large scale, almost immediately after the close of a very destructive war. This policy of reducing the public debt, so auspiciously commenced, was continued through years of great industrial and financial depression, and is still going on, until the debt is now nearly a thousand millions of dollars less than it was in 1865. It is this policy, more perhaps than anything else, which has so elevated the public credit as to make possible the reduction of the rate of interest, as redeemable bonds have come within the control of the Government, from six per cent. to five, from five per cent. to four and one-half, from four and one-half per cent. to four, and raised the four-per-cents to fifteen per cent. premium in gold. And now, with this enlightening reference to the past, the question arises, What should be our financial policy in the future?

First. What should be the policy of the Government with regard to the national banking system, and what should be the rate of interest on bonds hereafter to be issued? The relations existing between the Government and the banks are so intimate that these cannot be considered separately.

There is general agreement that the rate of interest on all new bonds should be less than four per cent.; beyond this, diversity of opinion exists. Congress, at the recent session, passed a bill authorizing an issue of three-per-cent. bonds and certificates, to be sold at not less than par, the proceeds of sales to be used in retiring the five and six per cents which will be redeemable and payable during the present year; but, unfortunately, the bill contained requirements of the national banks which subjected it to a veto by the President and caused its defeat. If it had simply authorized the issue of three-per-cent. bonds and certificates, it would have become a law, and the ability of the Government to borrow money at three per cent. on bonds having ten years to run would now be in the process of trial in a most favorable condition of the money market. It was the withdrawal from the banks of the privilege of deposit-

ing all classes of United States bonds then outstanding as security for their circulating notes, and the limitation of this privilege to the three-per-cent. bonds, together with the requirement that banks desiring to take up the bonds which are held by the Treasury should, in order to do so, return to the Treasury their own notes, instead of depositing legal-tender notes for this purpose, as they were authorized to do by the act amendatory of the Bank Act, approved June 20, 1874, which this bill repealed, that gave to the bill a partisan instead of a national character, and made it obnoxious to fair-minded men. Was the bill in these respects judicious or fair? Was it judicious for Congress to say that three-per-cent. bonds should be received as security for bank circulation, and better bonds declined? Was not this restriction intended to compel the banks to purchase and deposit the three-per-cents, or cease to be banks of circulation? Was this kind of legislation calculated to secure the coöperation of the banks in putting these bonds successfully upon the market? It was in the power of Congress to make a forced loan in the form of legal-tender notes, but to force banks to take bonds which they do not want is a different thing altogether. The bill, as has been stated, went a great deal further than this. It required banks which might desire to go into liquidation or to dissolve their connection with the system, to return their own notes, instead of providing for their redemption by depositing legal-tender notes or gold in the Treasury, in order to take up their bonds. Partial compliance with such a requirement would be difficult and troublesome; absolute compliance might be impossible. National-bank notes circulate everywhere upon the credit that is given to them—by their being receivable for all public dues (except import duties), and by the bonds which secure them, so that the notes of a bank in Oregon are as current in New York as the notes of the Bank of Commerce. This is one of the great merits of the system. National-bank notes, no matter by what bank they may have been issued, circulate throughout the Union; the result of which is, that they are so widely scattered, with no inducement on the part of holders to send them home, that a bank, if such a requirement were enforced, might be months if not years in liquidation. Absolute compliance with it might, as I have said, be impossible, as some of the notes of every bank will doubtless be lost. Would such a requirement be fair to the banks? Would it be

of any benefit whatever to the Government? The only work which the Treasury department has to perform, as the law now stands, and stands by virtue of the veto power, for banks desiring to obtain possession of their bonds, is the mere clerical work of redeeming their notes with the money provided for their redemption, for which there is ample compensation in the interest on the money before they are redeemed and the gain on those which may never be presented. Indirect legislation should always be avoided. Partisan legislation involving great national interests is a blunder. The national banking system is of immense proportions. It is intertwined with the commerce and trade of the country in all their varied operations. The gradual dissolution of it would produce extensive mischief; the sudden destruction of it would precipitate a financial crisis more disastrous than that of 1873. If, however, it is found to be inconsistent with the free working of our republican institutions, if it is a great concentrated money-power and the banks are striving to perpetuate it by controlling elections, let it be overthrown. Nothing that stands in the way of the Government created "by the people and for the people" should be permitted to exist. The country is now as well prepared for the crisis which would be the effect of its overthrow as it ever will be. But let the issue be fairly presented. Let not a work of such vital interest to the people be done by indirect legislation.

The national banking system was created for the double purpose of increasing the demand for Government bonds and furnishing a safe and uniform currency. Has it failed to do either? The national banks are not only the owners of some three hundred millions of Government bonds, but their circulating notes are secured by them, so that every note is a helper of the national credit. No unprejudiced man who carefully reads the financial history of the country since 1863 can fail to see, or be unwilling to acknowledge, that the banks have been efficient coöperators with the Government in all its financial negotiations, and in every step that has been taken to reduce the rates of interest upon its bonds. They have been liberal subscribers to all of its loans, and by their subscriptions they have done much to induce subscriptions by other institutions and the people. It would be foolish to assert that the Government credit rests upon the national banks, or that means could not have been obtained for the prosecution of the war, or that

the rates of interest on the public debt could not have been reduced if the national banking system had not been created ; but it would be equally foolish to deny that in all these great accomplishments the national banks have rendered powerful aid.

That the other object for which the system was created—to furnish a safe and uniform currency—has been accomplished is so well understood and is so universally acknowledged, that remarks upon it are unnecessary. What, then, are the political and popular objections against it ? They are :

First. That it establishes a monopoly.

Second. That the banks attempt to control, and by a free use of money do control, political elections.

Third. That bank-notes occupy, in part, the field which should be exclusively occupied by the notes of the Government.

Let us briefly consider them.

To answer the first, it is only necessary to ask what possible monopoly there can be in a system which is open to all who have money to lend, and who prefer to lend it through the agency of corporations than in any other way ? It is safe to say that there never has been, and that there never can be, a safe banking system less liable to this objection than this is. Instead of establishing a monopoly, it put an end to the bank monopolies which formerly existed in many States, and opened wide the door for free banking. If there is a single feature of monopoly about it, it has yet to be discovered. This objection is one of the many popular fallacies which frequently exist and become wide-spread, without having an inch of ground to stand upon.

Equally groundless is the second objection—"that the banks undertake to control, and do control, political elections." Those who know the character of the men who engage in banking—how tenaciously they cling to their money, how anxiously they avoid politics and politicians—need no light upon this point. Besides, the banks are neither owned nor controlled by men of the same party. Active and influential men of both of our great political parties are found among bank managers and stockholders, who contribute—and contribute liberally—from their own pockets, in aid of the party to which they belong, in doubtful districts and in doubtful States ; but they have no right to use the money of their banks for this purpose, and they would con-

tribute just as liberally if they were not connected with banks. I would here incidentally remark that the use of money in elections is one of the most threatening dangers to which our republican institutions are exposed. The foundation of our Government would be much more secure than it now is, if to contribute money for electioneering purposes were made a penal act. But however this practice may be regarded, those who suppose that the national banks contribute their money to influence or control elections will be disabused of their error by ascertaining from the managers of political campaigns where the money which they distribute comes from. The truth is, that the reduction of the rates of interest upon the Government bonds has caused banking under the national system to be well-nigh unprofitable. Nor is it popular with those who are working under it, and there is consequently no inducement for them to contribute money for its support. They know that it was not created for their benefit, but for the benefit of the Government and the protection of the people. They acknowledge its excellence, but they dislike the restrictions which it imposes upon them. A large majority of them were converted from State banks; they were forced into it by the ten-per-cent. tax upon State bank-notes. Not a single bank favored it in its inception, and not a few now sigh for the larger liberty which was enjoyed under the State-bank system.

The remaining objection—that bank-notes occupy, in part, the field which ought to be exclusively occupied by the notes of the Government—is plausible, and for a time it was dangerous by its plausibility; but the danger is rapidly decreasing, as the question becomes better and better understood. A large majority of those who have favored an exclusive use and an issue of Government notes, to be limited only by the discretion of Congress, were undoubtedly honest, but they have been so enlightened by the free discussion to which the question has been subjected, that the Greenback party would not be a factor in our politics if the strength of the two great parties, into which the country has always been divided, were not so nearly equally divided that this third party holds the balance between them, and thus possesses a power altogether disproportioned to its numbers. This will not long be the case. Third parties, based, as they usually are, upon a single issue, are always short-lived in the United States. They give promise of permanence

at the start, but they are soon swallowed up by the two other great parties and disappear forever. So will it be with the Greenback party. In some of the States in which, for a time, it exhibited strength, its chief supporters have already gone back to the parties from which they were temporarily separated, and their example will soon be followed in other States in which it still has vitality. Aside from the more than doubtful authority of Congress to make Government notes lawful money in a time of peace, there are objections to the substitution of such notes for bank-notes, which are so manifest and overwhelming that danger in this direction may no longer be apprehended. If, however, authority should ever be granted to Congress, by a change of the Constitution, to make Government notes lawful money, and the experiment of the exclusive use of such notes should be tried, the country would have *a great national bank, of which the millions of inhabitants would be the stockholders, and members of Congress the directors.* The fate of such a bank and the misery it would inflict, it requires no spirit of prophecy to predict.

I have thus dwelt upon the national banking system, because I think its maintenance essential to the prosperity of the country, and because upon the action of the national banks depends, in no small degree, the solution of the question, What rate of interest shall the new bonds bear? It is true that the amount which they will need to replace the bonds now in the custody of the Treasury is small in comparison with the amount of the debt to be re-funded, but favorable action on their part would do much to make the entire issue successful. Their influence, it is admitted, is shared by other banking institutions and private banks; but theirs is the most decided, because they are more closely connected with the Government, and they have a more direct interest than other banks or bankers in the support of the national credit. As has already been said, the national banking system is not a profitable system to bank under. That it is not an inviting system is proven by the fact that, although open to all, there is more capital in State and private banks than in the national banks. And now the important questions arise, Can the national banks afford to substitute three-per-cent. bonds for those bearing a higher rate of interest? and will they be subscribers for the three-per-cents, unless they are relieved from the tax now imposed upon their notes? These questions must, I

think, be answered in the negative. If they are compelled, without this relief, to secure their notes with three-per-cent. bonds, or to retire their circulation, many, if not all of them, will prefer to do the latter, and the national banking system will thus be virtually destroyed. It is most desirable that the burden of the public debt should be made as light as may be possible, and if, by the abatement of the tax referred to, the influence of the banks can be made conducive to the reduction of the rate of interest on the debt to three per cent., can there be any doubt as to the propriety and expediency of such an abatement?

But can the public debt, with the coöperation of the national banks, be re-funded into three-per-cent. bonds? There is much diversity of opinion on this point. I am among those who think it can be. It is true that British three-per-cent. consols, which are rendered attractive to investors by the fact that they are in the form of perpetual annuities, are very rarely up to par, and that the recent French three-per-cent. loan, of which so much has been said as indicating the high credit of France,—the most thrifty of European nations,—was sold at a heavy discount; but it must be borne in mind that the United States is much more populous and prosperous than either, and in undeveloped but rapidly developing resources incomparably their superior; besides,—and this is a most important consideration,—the debt of the United States is less than one-half the debt of Great Britain or France, and is steadily diminishing, while theirs is stationary, if not increasing. There is in this country, as in all other solvent countries, a demand for Government securities, which nothing else can so well supply; and this demand in the United States will increase with the diminution of her debt and her advance in wealth and population. There can, therefore, I think, be no reasonable doubt that our public debt can be re-funded into three-per-cent. bonds, which will never be at a discount, except in periods of great financial depression; and with wise legislation these periods will rarely, if ever, occur. A large permanent national debt is inconsistent with the very nature of republican institutions, and there are objections to placing the debt, for a long time, beyond the control of the Government; but as serious doubt exists that three-per-cent. bonds, having less than twenty years to run, can be sold at par, and as there is little reason to expect that such bonds would

constantly be in such demand as to compel the Government to pay any considerable premium for those which it might, from time to time, be able to retire, it would hardly be safe to try the experiment of shorter bonds.

If the views thus presented are correct, Congress will act wisely if, at the next session, it authorize an issue of twenty-year three-per-cent. bonds to an amount sufficient to redeem and pay all bonds bearing a higher rate of interest, as they become redeemable or payable, and relieve from taxation the circulation to secure which the three-per-cent. bonds may be deposited in the Treasury.

The next question, which I propose to consider very briefly, is

THE SILVER QUESTION.

Alexander Hamilton, distinguished alike by his far-seeing wisdom and his practical and comprehensive knowledge, in his masterly report of January, 1791, to Congress upon "the establishment of a mint," in speaking of gold and silver coinage, used the following language:

"Upon the whole, it seems to me most desirable not to attach the unit exclusively to either metal, because this cannot be done effectually without destroying the character of one of them as money, and so reduce it to the character of mere merchandise. To annul the use of either of the metals as money is to abridge the quantity of circulating medium, and is liable to all the objections which arise from the comparison of the benefits of a full, with the evils of a scanty, circulation. It is often in the case of trade as desirable to possess the kind of money as the kind of commodities the best adapted to a foreign market."

Since this remarkable language was uttered, the world's supply of gold and silver has been enormously increased, but the demand has more than kept pace with the supply, and the reasons for the use of both metals as money are stronger now (as the commercial intercourse between nations has become closer) than they were then. Of the eight thousand million dollars in these metals estimated to be in use as money in what are called civilized nations, about three-eighths are silver and five-eighths gold. In a large majority silver is the standard, and although these are not among the leading commercial nations, their foreign trade is large and increasing. Now, is it not obvious that this trade would be facilitated and rendered

more profitable to all nations that participate in it, if both metals, upon a ratio agreed upon, should be upon an equal footing? Can there be any doubt that commerce demands that all metallic money should have equal comparative value throughout the world? and most assuredly the world is not in a condition to do without either. The effect of a universal demonetization of either would be so disastrous that no sane man would advocate it. It would be a death-blow to enterprise, while it would increase enormously the burden of debt. It would bankrupt debtors and thereby be prejudicial if not ruinous to creditors. If, then, it is most desirable that all nations should have the same standard, and if neither gold nor silver could be universally demonetized, does it not follow, as Mr. Hamilton expressed it, that the unit should not be "exclusively attached to either"? It is to effect an agreement between nations that the unit shall attach to both metals, that a conference is being held in Paris, at which the United States is represented. It is probable that neither Great Britain nor Germany will unconditionally participate in it, and they may be regarded as being hostile to bimetallicism, but their hostility is that of the Governments and not of their people; it will not, therefore, be formidable, nor is it likely to be lasting. Neither nation can permanently stand alone upon the single gold standard; nor can they, if united, resist the influences which are now at work in favor of bimetallic money. One of the reasons for the adoption of the single gold standard by Great Britain in 1816 was, that as silver was more sought for by Continental nations than gold, the latter could be more easily retained than the former. It is questionable that she has been the gainer by her single gold standard, but having adopted it, she adheres to it with a tenacity characteristic of her Government. It has unquestionably for many years, in connection with her commerce and manufactures, given her control of the world's exchanges, but that the advantages of this control have not been counterbalanced by the constantly varying rates of interest, so injurious to her internal trade, which the increase or decrease of the gold in her great bank has made necessary, is by no means certain. Even in the full meridian of her commercial and manufacturing prosperity, there have been years when the bank rate has changed every month, varying in some instances, in a single year, between three per cent. and nine or ten. There have been times when the arrivals of gold from Australia and the United States

have been looked for with intense anxiety; when "the loss of the gold on a single steam-ship would have created a panic in London." If such has been the case when only the Germans and the United States were drawing gold from her, what would have been the condition of her bank and her business interests if all the commercial nations had been using gold exclusively? But whether Great Britain has been the gainer or loser by adopting and maintaining the single gold standard is now a matter of little importance. Great she still unquestionably is, but the world is no longer compelled to be tributary to her. The raw material from the ends of the earth no longer goes to her to be manufactured. Other nations, especially the United States and Belgium, are not only competitors with her in foreign markets of which, for years, she had complete control, but in her own. And while she still is the greatest of maritime nations, she no longer "rules the seas." She has active competitors (it is to be deeply regretted that the United States is not among them) on what she has claimed to be her own domain. She may refuse to send representatives to the Paris conference. She may resist the remonetization of silver, although many, if not a majority, of her merchants and manufacturers are clamorously in favor of it; but if the other nations which are to be represented in the conference are in accord, her resistance will be in vain. The movement in favor of the use of both metals as money is becoming universal; unless "all signs fail," it will eventually be irresistible.

Germany will, of course, be reluctant to retrace the steps she has so recently taken, but there will be no alternative. The Germans have always been accustomed to the use of silver, and they believe in it. They have suffered severely by its demonetization, and they will force their Government, despotic as it is, to go back to it.

There is much diversity of opinion in the United States upon this subject, but that a very large majority of the people are in favor of silver with gold as money is not, I think, doubtful. The act of February 28, 1878, which became a law over the veto of the President, was, it must be admitted, an act of hasty and inconsiderate legislation. It made the silver dollar, as far as the law could make it so, equal to the gold dollar without the coöperation of European nations, and did much to prevent coöperation, by fixing the ratio between silver and gold at sixteen to one, instead of fifteen and one-half, the ratio in France

and other bimetallic nations, and which was the ratio adopted by Congress in 1837. If the members who were in favor of the remonetization of silver had examined carefully the unsuccessful efforts in 1792, 1834, and 1837 to make the relative legal value of gold and silver coins correspond with the commercial value of the metals out of which they are coined, they would have postponed action until a conference had been held with the leading European nations. But they acted first, and, although there were no silver coins except subsidiary coins in the United States, adopted a ratio differing from that of nations having millions in circulation, and *then* approved of the conference. That, under such circumstances, the conference would be a failure, might have been expected. The result, however, of the present conference is hopeful. The subject since then has been more carefully considered; the needs of the nations are more apparent, and the influence of the United States has been vastly strengthened by having become a creditor nation and by the heavy drafts which she is making upon the gold supply of foreign nations. There is good ground for the expectation that the conference will be in accord; that the ratio between silver and gold will be fixed at fifteen and a half (the United States will be a gainer by the change from sixteen), and that at an early day silver will be elevated to its former rank in all civilized nations.

But it may be asked, why should the United States, a creditor nation to which gold is now steadily flowing, be interested in the general remonetization of silver? Because there will be periods when the balance will be against us; because our foreign trade ought to be largely increased, and must be, if our present prosperity is to be continued; because, having made silver dollars lawful money, we have a deep interest in the elevation of silver in other commercial nations, and because silver is one of our large productions. Its present degradation is not attributable to the increase in the yield of the silver mines, but to the adverse influence of Great Britain and Germany, the limited coinage by the Latin nations, and the decline in the trade between the Western and Eastern nations. These influences are not likely to be long continued. Let silver be fairly treated and this degradation will disappear. It is but recently that it became degraded. Up to 1874, it was, according to the established ratio, more valuable than gold. The fluctuations between the two metals, which have created the opinion that bimetallism is impracticable,

are attributable to the fact that gold and silver have been commodities in some nations and money in others. As I once remarked: "The certain preventive of fluctuations in the comparative value of the two metals will be found in the diffusion of both throughout the world, and this diffusion depends upon their becoming a joint standard of value."

Some apprehension exists that the large yield of the silver mines will produce an oversupply of silver. It will be remembered that similar apprehension existed some years ago in regard to gold. It was the large production of gold by the mines of California and Australia that caused gold to be temporarily depreciated, and which created so great an alarm that Holland demonetized it, and Great Britain did substantially the same thing in India, by refusing to receive it in the collection of Indian revenues; but as there was no good reason for this alarm, so there is none for the apprehension that the depreciation of silver must be continued by the large productions of the silver mines. The yield of these mines is not increasing. Like the yield of the gold mines, it is more likely to decrease than increase, and there is greater reason to fear that there will be an insufficient supply for what will be needed for coinage and the arts, rather than an excess. There is something in the objection to the use of silver as money that it is cumbersome and expensive in transportation. But this objection is of little importance in comparison with the world-wide benefits which would follow the large increase of real money by its general use.

Again, it may be asked, by what means can the large accumulation of silver dollars in the United States Treasury be disposed of, and how can further accumulation be prevented, if the present rate of coinage should be continued? The answer is at hand: By depriving the United States notes of their legal-tender quality, or the gradual retirement of all notes of a less denomination than ten dollars. Either measure would be effectual, and one or the other must be adopted if the Treasury is to be relieved and silver coins are to be brought into general use. As long as the banks can keep their reserves in legal-tender notes, they will prefer them to silver; and as the people have been always accustomed to the use of small notes, and have found them convenient, it will be quite impossible, without their withdrawal, to increase to any considerable extent silver circulation. But I am exceeding my limits, and must hasten to say a few words upon

another subject, which has an important bearing upon the national finances, and is of great public interest.

OUR FOREIGN SHIPPING.

Thirty years ago the United States ranked among the great maritime nations, with fair prospects of soon becoming the greatest. Now, as far as the foreign carrying trade is regarded, she is among the least. Nations then quite unknown as maritime nations are now outstripping her. We have but a single steamship line to Europe, and that is largely sustained by a great railroad company. We have also a single line to Brazil, bravely contending, by the energy of a single man, Mr. Roach, with British competition which threatens to destroy it. In this competition the British have great advantage. The same ships, making what may be called triangular voyages, take British goods to Brazil, coffee from Brazil to New York, and wheat and other United States productions from New York to British ports. And soon another competitor for the carrying trade between Brazil and the United States is to appear in a Canadian and Brazilian subsidized line of steam-ships. On the Pacific Ocean we have thought that we might regain, in part, what had been lost on the Atlantic. Alas! we have not only European competition there, but a new competitor also, the Chinese. One year ago, the opinion that the Chinese would ever be competitors with the United States on the Pacific Ocean would have been scoffed at. Now it is a fact, and with their imitative skill, low wages, and cheap living, their competition will be formidable, if not overpowering. So that, were it not for the protection which our navigation acts give to our coastwise trade, we should be virtually driven from the ocean, while at the same time we furnish the lading by which foreign ships are chiefly sustained. Nearly all of the enormous productions sent from our Atlantic ports to Europe is taken in foreign steam-ships. The immigrants who come to us by thousands, the pleasure-seekers and business men who are constantly crossing the Atlantic (seven-eighths of whom are Americans), go and come in the same manner. Could anything be more humiliating than this to a great nation whose flag was once seen on every sea, and in every port on the globe!

The decline in our foreign shipping commenced with the substitution of iron for wood, in the construction of steam-ships. It

was hastened by the course pursued by Great Britain in our civil war, and it has been continued by our inability to build iron steam-ships (which by their superior speed have great advantage over sailing-vessels, and over wooden steam-ships, by their greater strength and longer life) and to navigate them as cheaply as is done by Europeans. By this decline, the people of the United States are compelled to pay annually millions of dollars (we should be startled if we knew how many) for freights and fares in the profits of which they have no share. And now the question which forces itself upon our attention is, not only how shall this decline be arrested, but how shall this most important interest be revived and restored. Until quite recently I have thought that it might be done by giving the protection of our register and flag to foreign-built ships—in other words, by repealing the acts which prevent free trade in them, by relieving from import duties all material used in the construction of ships, and all ships from state taxation; but I think so no longer. Such measures might have been effectual some years ago; they would not be now. It is too late. The foreign carrying is in the hands of Europeans, who have large capital invested in their ships. Efforts to divide the business with them by American capitalists would be met by a competition too powerful to be resisted without loss. Without aid from the Government no such efforts will be made. If this be so, the revival and restoration of our foreign shipping interest depend upon the granting of subsidies. We must do what has been done by other nations. We must *subsidize American steam-ship lines*. How many, and to what extent, and for what period, can be determined when the subject is carefully considered by Congress. The word “subsidy” has been an exceedingly odious one when applied to ships, but no such odium has attached to it when applied to railroads. The interest on the amount advanced by the Government in bonds (now selling at thirty per cent. premium) to the Union and Central Pacific Railroad companies, or one-half the interest on the amount paid annually to foreigners for freights and fares, would be enough, perhaps more than enough, to infuse new life into our foreign shipping interest, which, although not absolutely dead, is gasping in the throes of dissolution. Is there any substantial reason why the Government should have been so liberal as it has been in donations to railroad companies, and have been unwilling to give

substantial aid to steam-ship companies? It may be difficult to prevent what is called "jobbery" in the granting of subsidies, but would there be less of it in granting them to establish and maintain steam-ships than there has been in grants for the construction of railroads? There has always been scandal in connection with grants of subsidies, and there always will be, as long as political party contests exist, whether there be foundation for it or not; but to withhold subsidies when they are required to build up and sustain great national interests, on the ground that they cannot be granted without bribery and corruption, is to admit that our republican Government is a failure. It is very certain, unless we are to be content with being the first of nations in agriculture, and the second or third in manufactures, that something must be done to reestablish our maritime interests. To do nothing is to yield to Europeans the glory and the gain which have always been the concomitants of maritime enterprise. It is to foreign commerce that the world, more than to anything else, is indebted for its advancement in liberty, refinement, and true Christian civilization. In the contest which is going on between nations for the control of this great liberalizing, refining, and civilizing power, is the great republic to have no part? If subsidies are not to be granted, other measures must be adopted to lift us from the dependent and ignoble position in which we now stand, and to prevent still further degradation. What those measures should be somebody more enlightened than I am must disclose.

It will be perceived that I have only glanced at, instead of attempting to discuss, the very important questions to which I have called attention. More than this could not have been done in a single article, long as it is. In doing even this, as regards the national banking system and the silver question, I have but substantially repeated what I have often said officially and otherwise.

HUGH McCULLOCH.